

EX PARTE OR LATE FILED

**BELLSOUTH** 5

**Ben G. Almond**  
Executive Director-  
Federal Regulatory

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November 21, 1996

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

RE: CC Docket 96-152 Implementation of the Telecommunications Act of  
1996 Telemessaging, Electronic Publishing and Alarm Monitoring Services  
Ex Parte

Dear Mr. Caton:

The attached document represents additional information and a follow-up discussion to the ex parte held by representatives of the BellSouth Corporation with FCC personnel on November 14, 1996. Notification of this ex parte which relates to the above referenced proceeding was dutifully filed with your office on November 14, 1996.

Please associate this notification and accompanying material with the docket proceeding. The material addresses BellSouth's interpretation/position on Section 274 and the plans by which BellSouth Advertising and Publishing Corporation will continue to provide printed directory products and new electronic directory services to its customers.

If there are any questions concerning this material, please contact the undersigned.

Sincerely,



Ben G. Almond  
Executive Director-Federal Regulatory

Attachment/Enclosure

cc: Carol Matthey  
Michelle Carey  
Raelynn Tibayan  
Andrea Kearney

Robert McDonald  
Susan Launer  
Jordan B. Goldstein

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**BELLSOUTH CORPORATION**

**NOVEMBER 21, 1996  
DOCKET 96-152 EX PARTE  
SECTION 274 - ELECTRONIC PUBLISHING**

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY**

BellSouth Advertising and Publishing Corporation ("BAPCO") is a wholly owned subsidiary of BellSouth Enterprises, Inc. ("BSE") which is itself wholly owned by BellSouth Corporation. BSE is itself a holding company for certain of BellSouth Corporation's businesses other than the regulated telephony business of BST. For example, the cellular, directory and international businesses of BellSouth Corporation are under BSE. Neither BAPCO nor BSE owns or manages or is owned or managed by its affiliated telephone company, BellSouth Telecommunications, Inc. ("BST"). Neither BSE nor BAPCO has any directors, officers, employees, property or assets in common. In short, both BSE and BAPCO have been separated structurally and operationally from BST from the time they were established shortly after divestiture in 1984.

BAPCO currently provides print directory products and services in areas where BST provides regulated telephony services. Although BAPCO currently does not offer electronic publishing, customer expectations and competition in directory products will require that BAPCO offer electronic directories in conjunction with its print products in 1997. At such time, BAPCO would become a section 274(c)(1)(B) (Telecommunications Act) company. At the same time, BAPCO would make available to BST and any other LECs coupons which may be redeemed by customers of those carriers for discounts solely and exclusively on print directory advertising. The carriers, including BST could purchase these coupons from BAPCO at prices available to all carriers and give or resell them to their customers. BAPCO would not provide any electronic publishing services to BST.

BAPCO plans to use the Internet to deliver its electronic directory services. BAPCO will use an Internet services provider (ISP) to host its electronic directory. This hosting service consists of running BAPCO's software on the ISP's computer which will be accessible by anyone. It is currently anticipated that BellSouth.Net will initially be that ISP. BAPCO's electronic directory would be accessible by any Internet user and, as such BAPCO cannot control, determine or even know whose network facilities consumers would use in accessing BAPCO directories on the Internet. Any use by BAPCO of BST telephony network facilities will be limited to services under tariff or written contract in accordance with section 274(b).

The following attachments supplement this Ex Parte filing:

Attachment A - Describes provisions of the Telecommunications Act which permit BAPCO to publish electronic directories while engaging in print media activity with BST.

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## **BELLSOUTH CORPORATION**

### **NOVEMBER 21, 1996 DOCKET 96-152 EX PARTE SECTION 274 - ELECTRONIC PUBLISHING ATTACHMENT A**

In its July 18, 1996 NPRM for Docket No 96-152 the FCC sought comments on the distinction between section 274(c)(1)(A) and section 274(c)(1)(B). The regulations construing this section should acknowledge that subparagraph (B) expressly recognizes those circumstances in which a BOC affiliate offers multiple services, some of which include the provision of electronic publishing or are "related" thereto and some of which do not involve such provision. This subparagraph recognizes that "an affiliate" may be engaged in activity involving the provision of electronic publishing. Subparagraph (B) expressly recognizes that some of an affiliate's activity may also be unrelated to electronic publishing. By such deliberate language, Congress has allowed for joint marketing between a BOC and any affiliate, whether or not separated, to the extent that the activity which is the subject of the joint marketing is not "related to the provision of electronic publishing". Thus, for example, should a BOC affiliate which currently provides print directory service subsequently provide an electronic directory product, then that directory affiliate would not be barred from joint marketing only its print product with its affiliated BOC.

The clause "that is related to the provision of electronic publishing" in section 274(c)(1)(B) necessarily refers to the activities circumscribed by that section. If the "affiliate" described in subparagraph (B) is not engaged in activity "related to the provision of electronic publishing", then there is no need for any joint marketing restriction. If the "affiliate" is so engaged, then Congress has said that there is no logical or policy reason why its non-electronic publishing activities (excluding intraLATA or activities specifically restricted otherwise in the statute) need be addressed since there is no competitive advantage which the affiliate would have as a consequence of being a BOC affiliate. In the example of the directory business, the affiliate has no competitive advantage in the print directory market by virtue of the BOC's telephony network. It is only that portion of the affiliate's activities involving use of the BOC network which is intended to be restricted in section 274. A reading of section 274 (c)(1)(B) which proscribes activities not involving that network would be overbroad and have no basis in the alleged monopoly concerns which Congress addressed. A BOC could, therefore, engage in promotion, marketing, sales or advertising with its directory affiliate so long as that activity relates only to the traditional print directory products of the directory affiliate and not to that affiliate's electronic directory services.

By contrast to subparagraph (B), section 274(c)(1)(A) contemplates the case in which the separated affiliate provides electronic publishing but not other products or services. Subparagraph (A) bars joint marketing between such an entity and its affiliated BOC. This subparagraph is not applicable to BAPCO since, as discussed above, it will provide print as well as electronic directories.

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY**

November 21, 1996

Mr. Jordan B. Goldstein, Attorney  
Federal Communications Commission  
1919 M. Street, N.W., Room 544  
Washington, DC 20554

Dear Mr. Goldstein:

I am writing in response to your telephone inquiry to BAPCO following our November 14, 1996 meeting. The purpose of this letter is to document for you why we, as a yellow pages directory publisher, need to provide electronic directories.

As we described in our meeting with you, at its most fundamental level, we are in the business of linking buyers and sellers. For more than 100 years, the process of linking buyers and sellers was achieved through the publication of printed yellow page directories. Today, however, through new advances in information technology, there are multiple channels to deliver the same type of information. These new "delivery platforms" include the telephone (audiotext/operator-assisted yellow pages), CD-ROM and the Internet. In the near future, additional platforms will become viable, such as personal digital assistance, and a host of new Internet-based information appliances.

Advertisers expect to be able to use all of these new delivery platforms. The marketplace has developed such that these platforms now represent a natural extension of the print yellow pages business, since all are designed to enhance the process of linking buyers and sellers. Furthermore, advertisers expect to move back and forth between print and electronic directories depending upon their perception of the degree to which their customers use various platforms. Without being able to offer multiple platforms, advertisers would rightfully assume that we are not meeting their business needs.

Migration to these new platforms provides significant value to both consumers and businesses. For consumers, electronic yellow page applications provide improved information access, depth and customization. For businesses, electronic delivery provides the ability to target specific messages to specific groups of consumers at specific times.

Federal Communications Commission

November 21, 1996

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The Internet, in particular, offers tremendous opportunities to provide enhanced value in the marketplace. In addition to the improved capabilities of disseminating vast amounts of relevant buying information, Internet-based yellow-page applications offer the ability to complete transactions on-line.

The enormous opportunities associated with this new world of electronic commerce have not been lost on our competitors. Major players outside of the traditional yellow pages industry (Microsoft, AT&T, America On-line) have either launched products, or have announced plans to compete in the electronic yellow pages industry. In addition, competing traditional regional yellow pages publishers (NYNEX, US West) have entered our traditional markets with electronic offerings. Finally, a host of new start-up firms (BigBook, Yahoo!, WorldPages, ZIP2, etc.) have entered the marketplace in competition with BAPCO.

The Kelsey Group, a leading industry consulting firm, estimates that there are, roughly, 2,500 electronic yellow page applications in existence today. Of these, approximately 150 have been described as "top-tier" competitors. With essentially no barriers to entry, the numbers continue to grow.

Electronic publishing represents both a significant threat and opportunity to our business. In the world of the Internet, a consumer may select from many Internet service providers to gain access to "the net." Once connected to the net, the consumer may select any site to view, including any of numerous yellow pages sites, much like going into a library and freely selecting any book on a shelf. Consequently, it is vital that we are able to compete in this arena on a level playing field. In addition, given our Company's leadership role in linking buyers and sellers today, our full participation in electronic publishing will expedite the marketplace benefits to consumers and businesses alike.

Very truly yours,

*Charles P. Leatherstein*

David W. Scobey *for*  
Executive V. P.

BellSouth Advertising & Publishing Group